

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2014

**CASCIO & SCHMIDT, LLC
Certified Public Accountants**

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Consolidated Notes to Financial Statements	6 - 11
SUPPLEMENTAL INFORMATION	
Consolidating Statement of Financial Position	13
Consolidating Statement of Activities	14
Balance Sheet - BioFunding	15
Statement of Income - BioFunding	16
Schedule of Expenditures of Federal Awards	17 - 18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19 - 20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	21 - 22
SCHEDULE OF FINDINGS AND RESPONSES	23

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Orleans BioInnovation Center, Inc. and Subsidiary (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans BioInnovation Center, Inc. and Subsidiary as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on summarized Comparative Information

We have previously audited New Orleans BioInnovation Center, Inc.'s financial statements, and our report dated November 29, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompany schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014, on our consideration of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting and compliance.

Cassio & Schmidt, LLC,

Metairie, Louisiana
November 28, 2014

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

	<u>June 30, 2014</u>	<u>Summarized Comparative Information June 30, 2013</u>
ASSETS		
Cash	\$ 1,962,849	\$ 808,156
Cash, restricted - loan program	893,337	78,021
Receivables (Notes A6, A7, A8 and B)		
Notes receivable, less allowance for possible loan losses of \$183,110.	397,690	428,243
Grants receivable	364,056	1,293,670
Other	<u>2,580</u>	<u>10,095</u>
	<u>764,326</u>	<u>1,732,008</u>
 Property and Equipment - At cost (Notes A9 and C)	 43,741,363	 45,114,347
Other Assets		
Deposits and prepaid expenses	<u>127,111</u>	<u>127,111</u>
 Total assets	 <u>\$ 47,488,986</u>	 <u>\$ 47,859,643</u>
 LIABILITIES		
Accounts payable	\$ 252,339	\$ 357,527
Rental deposits	67,420	45,570
Deferred revenue (Note D)	<u>1,679,896</u>	<u>1,384,070</u>
 Total liabilities	 1,999,655	 1,787,167
 COMMITMENTS (Note E)	 -	 -
 NET ASSETS (Notes A3 and A4)		
Unrestricted	1,747,968	880,108
Temporarily restricted	<u>43,741,363</u>	<u>45,192,368</u>
 Total net assets	 <u>45,489,331</u>	 <u>46,072,476</u>
 Total liabilities and net assets	 <u>\$ 47,488,986</u>	 <u>\$ 47,859,643</u>

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>Summarized Comparative Information 2013</u>
REVENUE				
Grants Appropriations	\$ -	\$ 1,892,566	\$ 1,892,566	\$ 2,504,068
Public support	68,848	-	68,848	91,946
Rental income	676,756	-	676,756	357,867
Other	36,889	-	36,889	161,656
Net assets released from restrictions	<u>3,343,571</u>	<u>(3,343,571)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>4,126,064</u>	<u>(1,451,005)</u>	<u>2,675,059</u>	<u>3,115,537</u>
EXPENSES				
Salaries and related benefits	850,750	-	850,750	921,649
Contract labor	15,138	-	15,138	5,018
Contract outside services	288,895	-	288,895	214,646
Consulting and other	37,809	-	37,809	35,480
Supplies	36,208	-	36,208	21,575
Telecommunications	43,342	-	43,342	41,799
Postage & shipping	641	-	641	701
Printing & copying	6,493	-	6,493	5,881
Books, subscriptions, reference	336	-	336	359
Rent	9,600	-	9,600	13,988
Utilities	288,941	-	288,941	244,257
Equip. Rental & maintenance	32,841	-	32,841	4,983
Travel & meeting expenses	50,894	-	50,894	36,286
Equipment	10,072	-	10,072	42,948
Depreciation	1,378,739	-	1,378,739	1,378,739
Insurance	157,688	-	157,688	165,778
Membership dues	9,268	-	9,268	8,733
Staff development	3,987	-	3,987	3,954
Outside computer services	28,438	-	28,438	1,758
Marketing expense	3,741	-	3,741	19,760
Other costs	<u>4,383</u>	<u>-</u>	<u>4,383</u>	<u>14,813</u>
Total Expenses	<u>3,258,204</u>	<u>-</u>	<u>3,258,204</u>	<u>3,183,105</u>
Increase (Decrease) in Net Assets	867,860	(1,451,005)	(583,145)	(67,568)
Net assets, beginning of year	<u>880,108</u>	<u>45,192,368</u>	<u>46,072,476</u>	<u>46,140,044</u>
Net assets, end of year	\$ <u>1,747,968</u>	\$ <u>43,741,363</u>	\$ <u>45,489,331</u>	\$ <u>46,072,476</u>

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	<u>June 30, 2014</u>	<u>Summarized Comparative Information June 30, 2013</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (583,145)	\$ (67,568)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,378,739	1,378,739
Changes in assets and liabilities:		
Decrease (increase) in receivables	967,682	(144,056)
Increase (decrease) in accounts payable	(105,188)	(939,231)
Decrease (increase) in deposits and prepaid expenses	-	7
Increase (decrease) in deferred revenue	295,826	1,196,194
(Decrease) increase in retainages payable	-	-
Increase on rental deposits	<u>21,850</u>	<u>19,400</u>
Net cash provided by operating activities	<u>1,975,764</u>	<u>1,443,485</u>
Cash flows from investing activities:		
Building costs capitalized	-	(567,329)
Acquisition of furniture & equipment	(<u>5,755</u>)	(<u>264,390</u>)
Net cash (used) by investing activities	(<u>5,755</u>)	(<u>831,719</u>)
Net increase in cash and cash equivalents	1,970,009	611,766
Cash and cash equivalents, beginning of year	<u>886,177</u>	<u>274,411</u>
Cash and cash equivalents, end of year	\$ <u><u>2,856,186</u></u>	\$ <u><u>886,177</u></u>
Supplemental Non-Cash Investing and Financing Activities:		
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Principles of Consolidation

The consolidation financial statements include the accounts of New Orleans BioInnovation Center, Inc. and its wholly-owned subsidiary New Orleans BioFunding, LLC. , a for-profit corporation. All inter-company accounts and transactions have been eliminated.

2. Nature of Activities

The New Orleans BioInnovation Center, Inc. (the "Corporation") is a business incubator, with the primary purpose of creating and supporting jobs, primarily in the bioscience and environmental science areas. This mission is supported by leasing office and wet-lab space and providing free or low-cost business services to local life science start-up companies. The Corporation also periodically holds public business coaching seminars/workshops provided by members of the business community. In addition, the Corporation supplies capital to emerging companies in the Greater New Orleans area in the form of loans and equity investments. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy, and revitalization of an economically depressed area of the City of New Orleans. It is located in its 66,000 square foot facility located at 1441 Canal Street in downtown New Orleans.

The Corporation may also develop and manage other properties within the bio-medical corridor. The current facility began occupancy on June 1, 2011, and is expected to be 90% occupied by December 31, 2014. Preliminary planning for a second facility is currently underway.

The Corporation is a private, non-profit entity that shall not be deemed to be a public or quasi-public corporation or an administrative unit, public servant, employee or agent of any institution of higher education for any purpose whatsoever, because the Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center, Tulane University Health Sciences Center, Xavier University, the University of New Orleans, and the community at large.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501 (c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269. New Orleans BioInnovation Center has entered into a Cooperative Endeavor Agreement with the State of Louisiana through its Division of Administration/Office of Community Development to receive loan funds in order to provide loans and equity investments in an attempt to encourage private and philanthropic investments, diversify the economy, and extend opportunities to community-based start-up and early stage and innovative businesses. A wholly owned subsidiary, New Orleans BioFunding, LLC., was formed to originate and service the loan and equity portfolio.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Financial Statement Presentation

The Corporation's consolidated financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2014.

4. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant, contract and rental revenue is recognized as earned in accordance with approved contracts and leases.

5. Cash and Cash Equivalents

At June 30, 2014, cash deposits exceeded Federal Deposit Insurance coverage, however, no losses have occurred, and none are anticipated.

For the purpose of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

6. Notes Receivable

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans are WSJ Prime, plus or minus basis points, variable by the number of lease years.

Loans are provided as explained in Note A-2, in accordance with the provisions of the Cooperative Endeavor Agreement.

Management reviews the loan portfolio to determine the existence of and extent to which there is any doubt regarding collectibility.

At New Orleans Bio Innovation Center's option, in the event that a loan becomes uncollectible, such loan shall be assigned to the Louisiana Office of Community Development for collection.

NEW ORLEANS BIOINNOVATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
June 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. Provision and Allowance for Loan Losses

The financial statements are prepared in accordance with FASB ASC 310. The allowance for possible loan losses is maintained to provide for possible losses inherent in the loan portfolio. Management determines the appropriate level of reserve to be maintained based on an analysis of the portfolio and evaluation of economic factors. Provision for loan losses are recognized by a charge to Deferred loan revenue, in accordance with the provisions of the Corporative Endeavor Agreement. Such factors as loan growth, the future collectibility of loans and the amounts and timing of future cash flows expected to be received on impaired loans are uncertain, therefore the level of future provisions generally cannot be predicted.

A summary of the allowance for possible loan losses for the year ended June 30, 2014 is as follows:

Balance at beginning of year	\$ 5,000
Provision charged to deferred loan revenue	<u>178,110</u>
Balance at end of year	\$ <u>183,110</u>

8. Grant Receivables

The Corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

9. Property and Equipment

New Orleans BioInnovation Center, Inc. and Subsidiary capitalize, at cost, all furniture and equipment in excess of \$5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

11. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

12. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (November 28, 2014).

13. Summarized Comparative Information

Summarized Comparative Information is presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles.

Certain reclassifications to the June 30, 2013 accounts have been made to conform to the June 30, 2014 presentations.

NOTE B - GRANTS RECEIVABLE

Grants receivable at June 30, 2014, consist of the following:

Louisiana Department of Economic Development	
Operating CEA	\$ 244,181
ILTAP	88,788
LSU - HSC	1,379
Delta Regional Authority	13,924
Emerging Environmental Grant	5,784
Small & Emerging Development Program	<u>10,000</u>
	\$ <u>364,056</u>

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2014

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2014:

Building	\$ 45,247,408
Furniture and equipment	<u>1,479,016</u>
	46,726,424
Less accumulated depreciation	<u>2,985,061</u>
	<u>\$ 43,741,363</u>

The building is on land leased from Louisiana State University, which has a reversionary interest in the building. See Note E.

Depreciation expense for the year amounted to \$1,378,739.

NOTE D - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2014:

New Orleans BioInnovation	
Operating CEA	\$ 138,763
Loans in process	250,000
 New Orleans BioFunding	
Loan revenue	383,409
Miscellaneous receipts	771,565
Administrative revenue	<u>136,159</u>
	<u>\$ 1,679,896</u>

NOTE E - LEASE AGREEMENT

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. New Orleans BioInnovation Center, Inc.(NOBIC) entered into a lease agreement with LSU December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10 year periods. Rental payments stated in the First Lease Amendment dated April 11, 2013, provides for \$800 a month commencing upon substantial completion of construction and acceptance for occupancy by NOBIC. The rental rates for renewal option periods provided for by the Renovation Lease shall be calculated by first determining the value of the land as follows: capitalizing the net operating income for the project for the year preceding the exercise of the option at ten percent, and attributing twenty percent of the value so derived to the land; and, second, applying, ten percent of the land value so determined as the annual rent for the renewal period. Louisiana State University has a reversionary interest in the building.

Rental expense for the year ended June 30, 2014 amounted to \$9,600.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2014

NOTE F - TENANT LEASES

The Corporation leases office and laboratory facilities to tenants under operating leases. The leases are for an initial term of one year, with an option to renew. Lease revenue for the year ended June 30, 2014 amounted to \$676,756.

NOTE G - INCOME TAXES

New Orleans BioInnovation Center, Inc. is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

New Orleans BioInnovation Center, Inc. has adopted the provision of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The organization does not believe its financial statements include any uncertain tax positions. Tax returns for the years ended June 30, 2013, 2012 and 2011 remain open and subject to examination by taxing authorities.

NOTE H - FUNCTIONAL EXPENSE

Functional expenses for the year ended June 30, 2014 are as follows:

Program Services	
Business services and support	\$ 573,853
Support services	
Management and general, including	
\$1,378,739 depreciation	<u>2,684,351</u>
Total	<u>\$ 3,258,204</u>

NOTE I - RETIREMENT PLAN

The Corporation sponsors a defined contribution plan. All full-time employees are eligible upon date of hire, however, participation is voluntary. The Corporation contributes to the plan an amount equal to 100% of the employee's contribution, limited to 3% of the employee's salary. The contribution rate remained unchanged from the prior year. The pension expense for the year ended June 30, 2014 amounted to \$13,537 (6/30/13 - \$15,383).

NOTE J - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2014.

SUPPLEMENTAL INFORMATION

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2014

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash	\$ 1,962,020	\$ 894,166	\$ -	\$ 2,856,186
Receivables				
Notes receivable	-	397,690	-	397,690
Grants receivable	364,056	-	-	364,056
Other	<u>2,605</u>	<u>-</u>	<u>(25)</u>	<u>2,580</u>
	366,661	397,690	(25)	764,326
Property and Equipment	43,741,363	-	-	43,741,363
Other Assets				
Deposits and prepaid expenses	<u>127,111</u>	<u>-</u>	<u>-</u>	<u>127,111</u>
Total assets	\$ <u>46,197,155</u>	\$ <u>1,291,856</u>	\$ <u>(25)</u>	\$ <u>47,488,986</u>
LIABILITIES				
Accounts payable	\$ 252,339	\$ 25	\$ (25)	\$ 252,339
Rental deposits	67,420	-	-	67,420
Deferred revenue	<u>388,763</u>	<u>1,291,133</u>	<u>-</u>	<u>1,679,896</u>
Total liabilities	708,522	1,291,158	(25)	1,999,655
NET ASSETS				
Unrestricted	1,747,270	698	-	1,747,968
Temporarily restricted	<u>43,741,363</u>	<u>-</u>	<u>-</u>	<u>43,741,363</u>
Total net assets	<u>45,488,633</u>	<u>698</u>	<u>-</u>	<u>45,489,331</u>
Total liabilities and net assets	\$ <u>46,197,155</u>	\$ <u>1,291,856</u>	\$ <u>(25)</u>	\$ <u>47,488,986</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE				
Grants Appropriations	\$ 1,892,566	\$ -	\$ -	\$ 1,892,566
Public support	60,193	8,655	-	68,848
Rental income	676,756	-	-	676,756
Other	<u>36,165</u>	<u>724</u>	<u>-</u>	<u>36,889</u>
Total Revenue	<u>2,665,680</u>	<u>9,379</u>	<u>-</u>	<u>2,675,059</u>
EXPENSES				
Salaries and related benefits	850,750	-	-	850,750
Contract labor	15,138	-	-	15,138
Contract outside services	288,895	-	-	288,895
Consulting and other	37,809	-	-	37,809
Supplies	36,208	-	-	36,208
Telecommunications	43,342	-	-	43,342
Postage & shipping	641	-	-	641
Printing & copying	6,493	-	-	6,493
Books, subscriptions, reference	336	-	-	336
Rent	9,600	-	-	9,600
Utilities	288,941	-	-	288,941
Equip. Rental & maintenance	32,841	-	-	32,841
Travel & meeting expenses	43,966	6,928	-	50,894
Equipment	10,072	-	-	10,072
Depreciation	1,378,739	-	-	1,378,739
Insurance	157,688	-	-	157,688
Membership dues	9,268	-	-	9,268
Staff development	3,987	-	-	3,987
Outside computer services	28,438	-	-	28,438
Marketing expense	2,178	1,563	-	3,741
Other costs	<u>4,218</u>	<u>165</u>	<u>-</u>	<u>4,383</u>
Total Expenses	<u>3,249,548</u>	<u>8,656</u>	<u>-</u>	<u>3,258,204</u>
Increase (Decrease) in Net Assets	(583,868)	723	-	(583,145)
Net assets, beginning of year	<u>46,072,476</u>	<u>-</u>	<u>-</u>	<u>46,072,476</u>
Net assets, end of year	<u>\$ 45,488,608</u>	<u>\$ 723</u>	<u>\$ -</u>	<u>\$ 45,489,331</u>

NEW ORLEANS BIOFUNDING, LLC

BALANCE SHEET

June 30, 2014

ASSETS

Cash	\$	829	
Cash, money market, restricted		893,337	
Notes receivable, less allowance for possible loan losses of \$183,110		<u>397,690</u>	
Total assets			\$ <u><u>1,291,856</u></u>

LIABILITIES AND NET WORTH

Accounts payable			\$	25
Deferred revenue				
Loan revenue	\$	383,409		
Miscellaneous Receipts		771,565		
Administrative Revenue		<u>136,159</u>		1,291,133
Net worth				<u>698</u>
Total liabilities and net worth			\$	<u><u>1,291,856</u></u>

NEW ORLEANS BIOFUNDING, LLC

STATEMENT OF INCOME

Year ended June 30, 2014

Income		
Contributions	\$ 8,655	
Miscellaneous	<u>724</u>	
		\$ 9,379
Expenses		
Conferences/conventions	6,928	
Marketing	1,563	
Other	<u>165</u>	
		<u>8,656</u>
Net Income		\$ <u><u>723</u></u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

<u>PROGRAM TITLE</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State of Louisiana - Louisiana Office of Community Development, Disaster Recovery Unit			
Innovative Loan and Technical Assistance Program			
Loan program	711148	14.228	\$ 1,078,883
Technical assistance	709441	14.228	<u>322,429</u>
Total U.S. Department of Housing and Urban Development			<u>1,401,312</u>
U.S. DEPARTMENT OF COMMERCE			
Passed through Greater New Orleans Development Foundation, Inc.			
E-3 Economic Adjustment Assistance, Building an Emerging Environmental Economy	08-79-04811	11.307	16,296
Passed through Louisiana State University Health Sciences Center			
Center for Bioscience Research Innovation and Commercialization	14-17-109	11.307	<u>1,379</u>
Total U.S. Department of Commerce			<u>17,675</u>
DENALI COMMISSION OR DELTA REGIONAL AUTHORITY OR JAPAN - U. S. FRIENDSHIP COMMISSION OR ELECTION ASSISTANCE COMMISSION			
Bolstering Bio Tech Entrepreneurship	La-10834	90.201	<u>27,819</u>
Total Denali Commission or Delta Regional Authority or Japan - U. S. Friendship Commission or Election Assistance Commission			<u>27,819</u>
Total Federal Awards			\$ <u>1,446,806</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

For the year ended June 30, 2014

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Financial Statement

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Federal pass-through funds are presented by the entity through which the organization received the federal financial assistance.

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans BioInnovation Center, Inc. and Subsidiary (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, and cash flows and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans BioInnovation Center, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Standards Auditing* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for an other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cassio v. Schmidt, LLC

Metairie, Louisiana
November 28, 2014

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 1 OMB CIRCULAR A-133

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited New Orleans BioInnovation Center, Inc. and Subsidiary's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs for the year ended June 30, 2014. New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Orleans BioInnovation Center, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Orleans BioInnovation Center, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion New Orleans BioInnovation Center, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of New Orleans BioInnovation Center, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance of requirements referred to above. In planning and performing our audit of compliance, we considered New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carrie V. Schmitt, LLC

Metairie, Louisiana
November 28, 2014

**NEW ORLEANS BIOINNOVATION CENTER, INC .
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

A. SUMMARY OF THE AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|-----------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> no |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133.

 yes X no

The program tested as a major program is:

U. S. Department of Housing and Urban Development
Passed through Louisiana Office of Community Development
Disaster Recovery Unit

Innovation Loan and Technical Assistance Program (CFDA # 14.228)

The threshold for distinguishing Type A and Type B programs was \$300,000.

Auditee qualified as a low-risk auditee. yes X no

B. FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statements for the year ended June 30, 2014.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no items identified in the course of my testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.